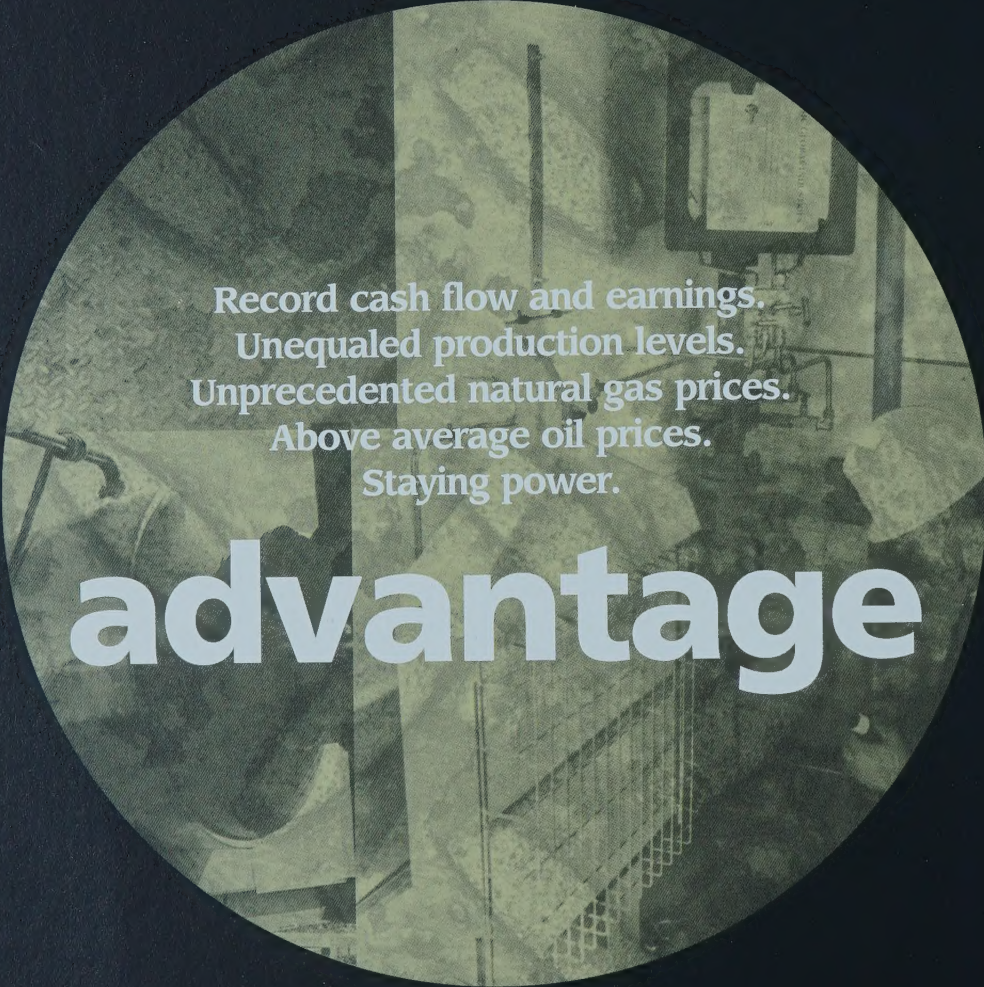


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RAMARRO Resources Inc



Record cash flow and earnings.
Unequaled production levels.
Unprecedented natural gas prices.
Above average oil prices.
Staying power.

advantage

Corporate Highlights

	2000	1999	% OF CHANGE
OPERATIONS			
NATURAL GAS PRODUCTION (mmcf)			
TOTAL	1,014.6	955.6	6
DAILY AVERAGE	2.77	2.62	6
AVERAGE NATURAL GAS PRICE (\$/mcf)	3.33	2.23	49
OIL PRODUCTION (bbls)			
TOTAL	25,138	15,420	63
DAILY AVERAGE	68	42	62
AVERAGE CRUDE OIL PRICE (\$/bbl)	34.28	17.79	93
TOTAL PRODUCTION (boed)	346	304	14
NATURAL GAS RESERVES (bcf)	14.02	12.15	15
CRUDE OIL RESERVES (mbbls)	408	140	191
FINANCIAL			
REVENUE	\$ 4,582,899	\$ 2,808,449	63
CASH FLOW FROM OPERATIONS	\$ 2,283,359	\$ 1,154,408	98
PER SHARE	\$ 0.150	\$ 0.074	102
NET EARNINGS	\$ 1,361,906	\$ 259,251	425
PER SHARE	\$ 0.090	\$ 0.017	429
CONVERTIBLE DEBENTURES	\$ 330,000	\$ 330,000	—
SHAREHOLDERS' EQUITY	\$ 5,226,455	\$ 3,958,369	32
COMMON SHARES OUTSTANDING			
AT YEAR END	14,915,673	15,462,673	(4)
WEIGHTED AVERAGE	15,092,381	15,600,381	(3)
SHARE PERFORMANCE (\$)			
HIGH	0.38	0.20	90
LOW	0.12	0.12	—
CLOSE	0.37	0.20	90
VOLUME	2,192,550	1,160,960	89

President's Message

In fiscal 2000, Ramarro experienced excellent growth, achieving record cash flow and earnings. Production is at a record high level. We drilled a record number of wells many of which have been put on stream near or shortly after year end. These activities have brought Ramarro to a turning point in its history. Production sales are now generating sufficient funds to allow us to participate in more significant plays and to take a larger interest in these plays. The first of these larger projects was successfully completed during the year. When combined with strong commodity prices, particularly unprecedented natural gas prices and our 80% weighting to gas, Ramarro's growth prospects are excellent.

Successful Year for Development

The operational highlight of the year was our participation in a significant and highly successful development program of the Cantuar East Lower Shaunavon pool in the Swift Current area of Saskatchewan. The first Ramarro well was drilled in November 1999 and a total of nine oil wells and one water injection well were drilled by the Company. Since year end, one more oil well and a second injector have been completed. Development to date is unique in that no dry holes have been encountered. This type and size of project is rare in that we developed a sizable reservoir – and with such certainty that the wells were drilled 2 and 3 per program. The project is producing through its own facilities and subsequent to year end, achieved full pressure maintenance. A sales pipeline connection will be in operation in early January 2001.

A second successful development program was completed late in the year which extended our operations in the Cessford area of southern Alberta. All of the 30 wells in the program were recently connected to Company facilities and placed on production. The additions are very timely given prevailing high natural gas prices, the impact of which is being seen in our earnings and cash flow.

Strengthening our Financial Position

Another infusion of cash was seen in April 2000 when Ramarro sold its stake in a partially-owned subsidiary, Texada Energy Ltd., to a third party. This transaction generated a substantial profit and the proceeds were re-invested in assets which will add directly to our cash flow. Over the longer term, there are significant benefits to consolidating Ramarro's assets under the Company's direct control. Direct ownership of producing properties will improve the parameters by which public companies are measured – cash flow, revenue, profit and reserves.

As a further step in solidifying our financial position, an issuer bid was reinstated in January 2000 to repurchase outstanding shares on the Canadian Venture Exchange. This helped maintain order in a quiet market and was considered by management and the Directors to be one of the best investments available. Many of the shares purchased and retired by the Company were acquired at little more than one times current cash flow and well below next year's budgeted cash flow per share. At the time of writing, the number of outstanding shares has been reduced to 14,872,173.

Commodity Price Upside

The commodity value of Ramarro's production skyrocketed during the past year. Our average gas price increased to \$3.33/mcf from \$2.23/mcf, and our average oil price was \$34.28/bbl, up from \$17.79/bbl in fiscal 1999. These increases dramatically improved our earnings and made a much larger amount of money available for expansion through drilling. Ramarro's gas contracts consist of a portfolio of sales most of which float with the market price of gas, however, about one-third of the Company's sales are now fixed to protect our cash flow if commodity prices recede.

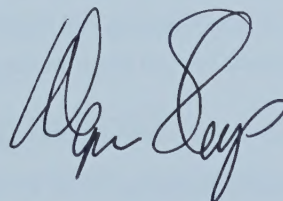
Conditions in the market place for oil and gas are very favorable. While oil has receded slightly from mid-summer pricing, it is still well above the average of the 90's and remains strong in the face of rumored production increases by OPEC. Gas has experienced phenomenal growth, especially since our September fiscal year end. With Canadian gas being sold into the continental marketplace, demand and pricing seem destined to remain strong for the short and intermediate term. All alternate sources of natural gas which can be brought to market are longer term, likely in the range of 3 to 5 years, making western Canadian production vital to the market. Ramarro anticipates gas prices remaining \$1-2 above last year's corporate average of \$3.33/mcf for at least another three years.

Very Bright Future

As we enter our 17th year, Ramarro's prospects are very bright. When looking at the industry in Western Canada, it is remarkable how few corporations have survived since Ramarro started operations in June 1984. Our surviving power stems from our conservative management; high quality, long life assets and the extremely prudent use of debt. With Ramarro now positioned with the financial resources to take a larger stake in larger projects, we expect to see continued improvements in our operational and financial results. We plan to drill a larger number of wells with a greater net interest than in previous years as our cash flow is expected to give us more than \$3 million of discretionary cash for capital expenditures.

We wish to thank our loyal and dedicated staff for their valuable contribution to Ramarro's growth and to especially recognize the effort that the past year required when we drilled more wells than during any other fiscal year in our history. We also express our gratitude to our Board of Directors for their assistance and counsel during the past year.

On behalf of the Board of Directors.

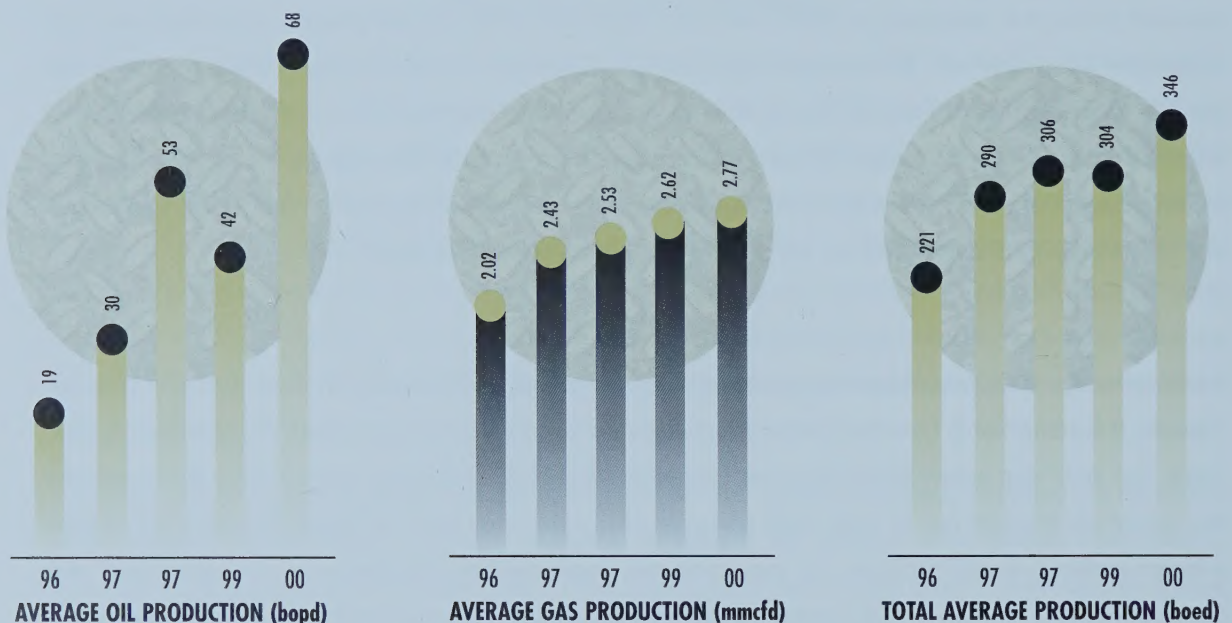


Wayne Sharp, President

January 12, 2000

Operations Review

Ramarro Resources Inc. has operations based in Alberta and Saskatchewan where it participates in 429 producing wells, 99% of which are operated by Ramarro. There are two interesting aspects to Ramarro's operations that should be noted. There has been a movement in the investment community to evaluate corporate production on the basis of 1 bbl per 6 mcf as opposed to the traditional 1 to 10 ratio. This would give Ramarro an equivalent production of 529 boed as opposed to the reported 346 boed. Also Ramarro's average decline rate of the major mature properties is 5% per year which compares very favorably with the industry average of 18%.



Production

Net daily production increased 14% to 346 boed versus 304 boed in fiscal 1999. Natural gas production increased 6.6% to average 2,772 net mcf/d. An additional 510 net mcf/d was put on production in November 2000. The average gas price in fiscal 2000 was \$3.33/mcf, up 49% from \$2.23 in 1999.

Daily net oil production averaged 68 bopd in fiscal 2000. Ramarro's oil price averaged \$34.28 compared to \$17.79 in fiscal 1999 reflecting the oil price recovery after April 1999. The Company's net oil production is expected to increase to 130 bopd in fiscal 2001.

Drilling and Acquisitions

In fiscal 2000, Ramarro participated in 41 wells (10.9 net), all operated by the Company. Ten of these wells were drilled in the Cantuar East oilfield of southwest Saskatchewan. Thirty shallow gas wells were drilled in Cessford, Alberta. The overall success rate was 97.5%. Ramarro acquired an additional interest in the Cessford field as well as several parcels of land at Crown land sales.



PRINCIPAL PROPERTIES

- 1 CESSFORD** MATURE GAS PRODUCTION
MOST ACTIVE DEVELOPMENT AREA
- 2 HILDA** MAJOR CASH FLOW CONTRIBUTOR
- 3 HATTON** MOST PROLIFIC GAS PROPERTY
- 4 WEBB** NEW PRODUCTION ADDED
- 5 CANTUAR** RECENT EXPLORATION SUCCESS

Gas Production

CESSFORD AREA - ALBERTA

Cessford East

Ramarro-operated Cessford East is a mature gas property with low decline rates and very long-life reserves. Development was completed in 1998 and total productive capacity is now 1,870 mcf/d. The reserve life exceeds 20 years and proven producing reserves total 7.67 bcf (net 0.82 bcf). The property consists of 72 wells producing from the Milk River or Medicine Hat formations. Gas sales are under a life of reserves contract to PanAlberta Gas and the price floats monthly based on the North American marketplace.

Cessford West

Ramarro operates Cessford West where it holds a 25% working interest in 45 producing shallow gas wells. These wells produce from the Milk River and Medicine Hat zones. Productive capacity totals 1,290 mcf/d. The property has a long reserve life exceeding 20 years and proven producing reserves total 4.40 bcf (net 1.12 bcf). Gas sales from this property are also under a life of reserves term to PanAlberta.

Cessford North

Cessford North is one of Ramarro's most active development areas. In fiscal 2000, an infill drilling program increased production to 1,932 mcf/d from 1,660 mcf/d in the previous year. Ten wells were drilled in September 2000 and put onstream in November. These wells extended the proven productive area and added to the property's deliverability and reserves. Proven producing reserves of 8.90 bcf (net 3.54 bcf) are projected to be recovered over the 20-year life of the project.

Ramarro operates 72 producing gas wells with interests ranging from 20-40%. Payout of the initial wells is expected to be achieved in the next year, at which time all of the wells will return a 40% working interest to Ramarro. Production is taken from the Milk River and Medicine Hat zones. Ramarro plans to drill 13 more wells over the next year to complete development of its 4,480 acres (1792 net) in the area. Eighty-five per cent of the gas is contracted to TransCanada Gas Services (TCGS) for a three year term and receives the TCGS blended price. The balance is being sold under a flat price contract that will yield in excess of \$3.15/mcf for two years.

Cessford Quatro

Cessford Quatro was acquired by Ramarro in August 1999 and development work was initiated immediately. The project was on stream in October 1999. Ramarro holds a 38.9% interest in this shallow gas project. During the summer of 2000, seven additional wells were drilled on lands added to this project. Gas production from the total of 21 wells is sold to a portfolio of spot and short term contracts administered by Ramarro. Production rates are currently at 920 mcf/d. Reserves to be recovered over the next 20 years are estimated at 3.50 bcf (net 1.22).

Cessford "R"

Lands purchased by Ramarro at Crown sales have been drilled and proven productive. In September 2000, 13 wells were drilled and completed. Production was initiated after our fiscal year end at a rate of 520 mcf/d. Sales are to Ramarro's short term pool.

HATTON

Hatton in southwestern Saskatchewan is a mature shallow gas project, however, with low decline rates and long-life reserves, it continues to provide substantial revenues. Current production capacity is 960 mcf/d from wells with a life expectancy in excess of 20 years. Ramarro operates 16 of 21 wells in the project at an average working interest of 20%. Production comes from the Milk River, Medicine Hat and Second White Specks zones. The Hatton project covers several townships and is made up of six blocks of land, which were originally freehold lands of the Hudson's Bay Company. Gas sales are under a three-year term gas contract with TransCanada Gas Services (TCGS). This contract returns a price equal to the TCGS Alberta netback. Proven producing recoverable reserves total 3.30 bcf (net 0.69 bcf).

HILDA

Ramarro-operated Hilda is comprised of 161 producing Milk River/Medicine Hat gas wells with Company interests ranging from 50 to 67%. The productive capacity of the area totals 2,100 mcf/d. Proven producing reserves total 10.05 bcf (net 5.87 bcf). The project is in the mature stage of development and has demonstrated very low decline rates of less than 4% over in the past four years. Field optimization is underway to improve productivity and lower costs of the project. The Hilda #1 project, which represents about 60% of Ramarro's production from the area, is contracted to Ramarro's short term pool. Gas from Hilda #2 is contracted to TransCanada for the balance of the reserve life at a floating price equal to TCGS blended price.

Oil Production

WEBB

Production increases are expected at Webb in fiscal 2001 as the field was unitized effective August 1, 1999. Water injection was initiated in September, 1999. The Company operates six producing oil wells which produce medium gravity oil from the Cantuar sand. Current net production is 35 bbls/d. Ramarro's unit working interest is 71.5142%.

Other development activities during fiscal 2000 included converting the water source well producing from the Roseray zone to an oil well producing from the Cantuar zone. Water for the waterflood can be more economically supplied from Ramarro's other operation in the area.

Proven recoverable reserves at Webb are estimated at 175,000 bbls (net 125,000 bbls) from the existing seven producing wells.

CANTUAR EAST

The Cantuar East Lower Shaunavon pool in township 16, range 16 west 3, has been extended substantially by Ramarro's drilling of 10 wells in the past year. This project is still in a transitional state of development with 2 wells drilled since year end. The Ramarro portion of the pool is producing at a rate of 375 bopd. Waterflood approval has been obtained for the pool and, with the completion of a second injection well at 4-19-16-16W3, full pressure maintenance has been implemented. Central producing facilities to gather all production to one point and treat the well effluent to produce clean crude oil were installed in August 2000. This has reduced costs and allows all of the produced water to be returned to the water leg of the reservoir to maintain pressure and rates. A water source well was drilled into a shallow zone for make up water to replace the oil being removed from the zone. Currently a sales pipeline connection is being installed to allow direct shipment of oil. This will add about \$1/bbl to our netback price at this site. With 10 producers and 2 injectors the reserves assigned to the project by decline analysis are 878,000 bbls (net 283,000). Using volumetric calculations the proven reserves are estimated at 1,103,250 bbls (net 345,550).

Exploration

ORION

The Orion natural gas play in northeastern British Columbia has been inactive over the past year. Two wells have been drilled and tested gas from the Jean Marie zone, which has been the basis for several developments in the area. The two wells established the presence of gas capable of production, however, further drilling of long horizontal wells is required to establish the rates necessary for commercial development. Ramarro has a 10% interest in this play.

CANTUAR EAST

The exploration venture into the Cantuar East field has been the most successful endeavour in the history of the Company. Early in the fiscal year a farmin was obtained to drill 3 earning wells on this Lower Shaunavon oil prospect. These earning wells were completed in February 2000 as oil producers. Subsequently 7 additional wells, 6 oil and 1 water injector, were drilled to develop the pool into a major contributor to Ramarro's cash flow and reserves. Two additional wells have been drilled since year end, 1 oil and 1 water injection. This brings the total number of wells to 10 oil producers and 2 water injectors. This represents a very rapid advance from the exploration stage to full exploitation.

ARMADA

A deeper gas play was drilled in the Armada area of Alberta, but was not productive. No further exploration is planned for this area.

GENERAL

Ramarro has retained extra staff in its geology department to generate new plays in house. To date, land acquisitions at Crown sales have been successful for three parcels. The location of these lands can not be shared with the public as this would be detrimental to Ramarro's growth potential in these areas. Evaluation work will be undertaken in the near future on one of these acquisitions.

Reserves and Related Value

As of October 1, 2000 Ramarro's in-house evaluation of its proven reserves included 14.05 bcf of natural gas valued at \$15.55 million and 408 mbbls of oil valued at \$2.67 million, both pre-tax using a 15% discount factor.

PROVEN PRODUCING AND UNDEVELOPED RECOVERABLE OIL AND GAS RESERVES AS OF OCTOBER 1, 2000

	GROSS RESERVES*			PRESENT WORTH (\$000'S)			CASH FLOW (\$000)	
	OIL (MBBLS)	GAS (BCF)	UNDIS- COUNTED	10%	15%	20%	2000	FIVE YEARS
CESSFORD AREA	—	7.38	20,626	11,696	9,585	8,155	2,389	8,491
HILDA	—	5.87	12,141	6,610	5,363	4,539	1,379	4,486
CANTUAR EAST	283	—	3,364	2,596	2,345	2,149	847	2,334
WEBB	125	—	580	378	321	281	79	299
OTHER	—	0.77	1,028	692	599	530	181	572
TOTAL	1053	14.02	37,739	21,972	18,213	16,653	4,875	16,181

*BEFORE ROYALTIES

PRICING ASSUMPTIONS USED FOR THIS EVALUATION ARE SUMMARIZED IN THE FOLLOWING TABLE:

	BASE NATURAL GAS PRICE (\$/MCF)	BASE OIL PRICE (\$/BBL)
2000 (Q4 ONLY)	5.84	34.00
2001	4.96	30.00
2002	4.00	25.00
2003	4.00	25.00
2004	4.00	25.00
ESCALATION PER YEAR THEREAFTER	3%	3%

PROVEN RESERVES AT OCTOBER 1, 2000

(DISCOUNTED AT 15% PRETAX)	\$ 18,213,000
UNDEVELOPED LAND	500,000
BALANCE SHEET ADJUSTMENTS (AS AT SEPTEMBER 30, 2000)	
WORKING CAPITAL	395,902
LESS: CONVERTIBLE DEBENTURES	(330,000)
NET ASSET VALUE	18,778,902
PER SHARE*	\$ 1.259

* BASED ON 14,915,673 COMMON SHARES OUTSTANDING AT SEPTEMBER 30, 2000
COMPANY TAX POOLS TALLING \$3,554,000 HAVE NOT BEEN INCLUDED IN THIS EVALUATION.

Management's Discussion & Analysis

REVENUE

Revenue increased 63% to \$4,582,899 from \$2,808,449. Gas sales volumes increased to 1,014.6 mmcf, up 6.2% from the 955.6 mmcf sold last year. The average gas price improved to \$3.33/mcf from \$2.23/mcf. Crude oil and natural gas liquids totalled 25,138 bbls with an average price of \$34.28/bbl compared to 15,420 bbls sold last year at an average price of \$17.79/bbl. The largest gains in revenue net of royalties occurred in our Hilda and Cessford North properties where the Company sells 45% of its natural gas on the spot market and the remainder to aggregators under long term contracts. The increase in natural gas volumes was mainly due to increased drilling at our Cessford North area. Oil volumes increased by 63% as a result of our Cantuar Project which commenced drilling in the latter part of 1999, the construction of an oil battery and the pipelining of 9 wells to the central battery. Our average working interest in these areas is 37% before payout and 30% after payout. During the year the Company sold its investment in Texada Energy Ltd., a Canadian controlled private corporation, for proceeds of \$1,082,570 with a gain on the sale of \$498,838 recorded on the income statement.

OPERATING EXPENSES

Production operating costs were \$1,214,508 compared with \$869,597 last year, an increase of \$344,911 or 40%. Operating costs per boe averaged \$9.59 up from the \$7.84 average in 1999. The main increase in operating cost was the cost of treating and processing oil from the Cantuar project, before the construction of our battery, which was put into service in early September 2000.

ADMINISTRATION EXPENSES

Administration costs were \$712,372 compared to \$665,913 last year, up 7% or \$46,459. The increase was mainly due to staff increases in the 2000 fiscal year. Ramarro does not capitalize any general administrative cost related to exploration and development projects.

INTEREST AND BANK CHARGES

Interest expense decreased to \$47,030 from \$100,283 as a result of decreased borrowing throughout the year to finance capital projects. The Company has a \$2,000,000 credit facility with a major Canadian Chartered Bank with no balance owing at year end.

DEPLETION AND DEPRECIATION

Depletion and depreciation charges increased to \$871,253 from \$738,682 in 1999, mainly due to increase capital expenditure in Cessford North and Cantuar. The allowance for future site restorations was \$54,859, down from \$60,641 recorded in 1999.

INCOME TAXES

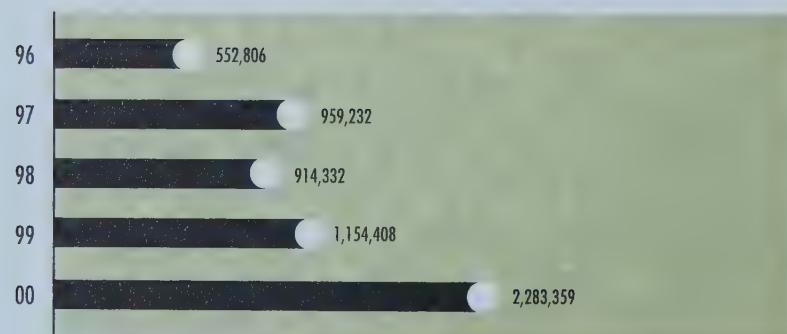
Current income taxes were calculated for the year in the amount of \$321,120, a result of increased earnings and the capital gain resulting from the sale of our investment in Texada Energy Ltd. The increase in deferred income taxes to \$545,469 from \$153,673 reflected higher income before taxes during the current year. Alberta Royalty Tax credits increased to \$46,780 from \$39,591 as a result of higher royalties paid due to increased gas prices.

SHARE CAPITAL

In January 2000, the Company established a normal course issuer bid on the Canadian Venture Exchange to purchase up to 750,000 shares. Ramarro purchased 547,000 shares under this bid for a total cost of \$93,820 at an average price of \$0.17 per share. These purchased shares represented one of the best investments available to Ramarro in terms of cash flow and boed per share.



SHAREHOLDERS' EQUITY



CASH FLOW FROM OPERATIONS

Management's Report

The accompanying financial statements of Ramarro Resources Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Financial statements generally include estimates that are necessary when transactions affecting the current account period cannot be finalized with certainty until future periods. Based on careful judgments by management, such estimates have been properly reflected in the accompanying financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial purposes.

The external auditors conducted an independent examination of corporate and accounting records in accordance with generally accepted auditing standards to express their opinion on the financial statements. Their examination included a review and evaluation of Ramarro's system of internal control and included such tests and procedures as they considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review financial statements before they are presented to the Board of Directors for approval.



Wayne Sharp
President

December 14, 2000



B. John Schmidt
Vice President, Finance

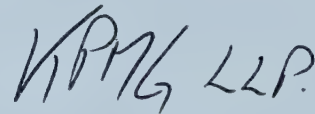
Auditor's Report

To the shareholders of Ramarro Resources Inc.

We have audited the balance sheets of Ramarro Resources Inc. as at September 30, 2000 and 1999 and the statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999, and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



KPMG LLP
Chartered Accountants
Calgary, Canada
December 8, 2000

Balance Sheets

AS AT SEPTEMBER 30,

2000

1999

ASSETS

CURRENT

CASH	\$	559,638	\$	497,577
ACCOUNTS RECEIVABLE		3,916,137		1,720,772
		4,475,775		2,218,349
PETROLEUM AND NATURAL GAS PROPERTIES (NOTE 2)		6,807,036		5,145,659
INVESTMENT (NOTE 3)		—		532,442
	\$	11,282,811	\$	7,896,450

LIABILITIES

CURRENT

ACCOUNTS PAYABLE	\$	3,948,988	\$	2,538,942
INCOME TAX PAYABLE		130,885		9,765
		4,079,873		2,548,707
CONVERTIBLE DEBENTURES (NOTE 5)		330,000		330,000
PROVISION FOR FUTURE SITE RESTORATION (NOTE 2)		370,733		329,093
DEFERRED INCOME TAXES		1,275,750		730,281
		6,056,356		3,938,081

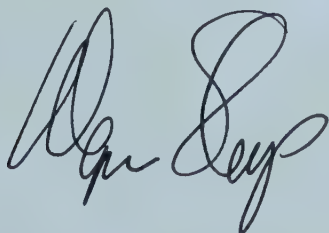
SHAREHOLDERS' EQUITY

COMMON SHARES (NOTE 6)		1,989,216		2,061,967
RETAINED EARNINGS		3,237,239		1,896,402
		5,226,455		3,958,369
	\$	11,282,811	\$	7,896,450

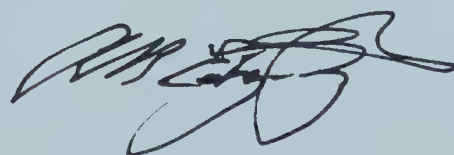
COMMITMENTS (NOTE 11)

CONTINGENCY (NOTE 12)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



Wayne Sharp



Anthony Edgington

Statement of Earnings & Retained Earnings

YEAR ENDED SEPTEMBER 30,	2000	1999
REVENUE	\$ 4,582,899	\$ 2,808,449
EXPENSES		
OPERATING	1,214,508	869,597
ADMINISTRATION	712,372	665,913
INTEREST	47,030	100,283
DEPLETION AND DEPRECIATION	871,253	738,682
FUTURE SITE RESTORATIONS	54,859	60,641
GAIN ON SALE OF INVESTMENT	(498,838)	—
	2,401,184	2,435,116
EARNINGS BEFORE INCOME TAXES	2,181,715	373,333
INCOME TAXES (NOTE 10)		
CURRENT	321,120	—
DEFERRED	545,469	153,673
ALBERTA ROYALTY TAX CREDIT	(46,780)	(39,591)
	819,809	114,082
NET EARNINGS	1,361,906	259,251
RETAINED EARNINGS, BEGINNING OF YEAR	1,896,402	1,648,434
NORMAL COURSE ISSUER BID PURCHASES (NOTE 6)	(21,069)	(11,283)
RETAINED EARNINGS, END OF YEAR	\$ 3,237,239	\$ 1,896,402
EARNINGS PER SHARE		
BASIC	\$ 0.090	\$ 0.017
FULLY DILUTED	\$ 0.080	\$ 0.015

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Cash Flows

YEAR ENDED SEPTEMBER 30,	2000	1999
OPERATING ACTIVITIES		
NET EARNINGS	\$ 1,361,906	\$ 259,251
DEPLETION AND DEPRECIATION	871,253	738,682
FUTURE SITE RESTORATION	54,859	60,641
DEFERRED INCOME TAX	545,469	153,673
EQUITY INCOME	(51,290)	(57,838)
GAIN ON SALE OF INVESTMENT	(498,838)	—
CASH FLOW FROM OPERATIONS	2,283,359	1,154,409
CHANGES IN NON-CASH WORKING CAPITAL	(664,199)	(372,112)
CASH PROVIDED BY OPERATING ACTIVITIES	1,619,160	782,297
INVESTMENT ACTIVITIES		
PETROLEUM AND NATURAL GAS PROPERTIES	(2,545,849)	(1,202,073)
PROCEEDS ON DEPOSITION OF PROPERTIES	—	892,000
CASH USED IN INVESTING ACTIVITIES	(2,545,849)	(310,073)
FINANCING ACTIVITIES		
PROCEEDS ON SALE OF INVESTMENT	1,082,570	—
DRAWING ON CREDIT FACILITY	415,000	1,387,000
REPAYMENT OF CREDIT FACILITY	(415,000)	(1,387,000)
REPURCHASE OF COMMON SHARES	(93,820)	(51,250)
CASH PROVIDED BY FINANCING ACTIVITIES	988,750	(51,250)
NET CHANGE IN CASH	62,061	420,974
CASH BEGINNING OF YEAR	497,577	76,603
CASH END OF YEAR	\$ 559,638	\$ 497,577
CASH FLOW FROM OPERATIONS		
BASIC	\$ 0.151	\$ 0.074
FULLY DILUTED	\$ 0.133	\$ 0.065

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Ramarro Resources Inc. ("the Company") is engaged in the acquisition, exploration, development, and production of oil and gas resources in Western Canada. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

1. ACCOUNTING POLICIES

a) Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses and costs of drilling and completion of both productive and non-productive wells. Proceeds from the disposition of properties are normally deducted from the full cost pool without recognition of gain or loss, unless the disposal would alter the rate of depletion and depreciation by more than 20 percent, in which case a gain or loss on disposal is recorded.

Depreciation of lease and well equipment is computed on a straight line basis at a rate of 10 percent per annum. Depletion of the Company's interest in petroleum and natural gas properties is computed by the unit-of-production method based on internal estimates of proven recoverable reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon relative energy content.

The Company applies a ceiling test to ensure that the net costs capitalized do not exceed the estimated future net revenues from the production of its proven reserves, plus the cost of undeveloped lands, less impairment. Future net revenues are calculated at year end prices and include an allowance for estimated future general and administrative expenses, interest expense, income taxes, capital expenditures and future site restoration costs. Any costs carried on the balance sheet in excess of the ceiling test limit are charged to income.

b) Joint Ventures

All of the Company's activities are carried on jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

c) Future Site Restoration

Estimated future site restoration costs are provided for using the unit-of-production method based upon estimate of proven reserves. Costs are estimated by the Company based upon current regulations, costs, technology and industry standards. Removal and site restoration expenditures will be charged to the accumulated provision as incurred.

d) Investments

The Company follows the equity method of accounting for its investments in non-controlled corporations, where it does not have significant influences, whereby an investment is initially recorded at cost with the carrying value adjusted thereafter for the Company's pro-rata share of earnings in the non-controlled corporation. Where an investment includes the purchase of flow through shares, the cost of the investment is reduced by the income tax effect of the renounced tax deductions.

e) Income Tax

The Company follows the deferral method of accounting for income taxes.

A new accounting standard for the recognition, measurement, presentation and disclosure of income taxes has been issued. The new standard requires the use of the liability method of tax allocation accounting whereby the measurement of future tax assets or liabilities will be based on a balance sheet approach rather than the income statement approach under the deferral method. The new standard is effective for the Company's 2001 fiscal year. The Company will adopt the new method without restating prior years financial statements.

f) Measurement Uncertainty

The amounts recorded for depletion and depreciation of capital assets and the provision for future abandonment and site restoration costs are based on estimates. The ceiling test is based on such factors as estimated proven reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

g) Cash

Cash includes cash on deposit and highly liquid instruments with original maturities of three months or less.

h) Stock Options

The Company has a stock option plan as described in Note 7. When stock options are issued, no compensation expense is recorded. Any consideration received on the exercise of the stock options is credited to share capital.

i) Net Earnings and Cash Flow from Operations per Common Share

Net earnings and cash flow from operations per common share are calculated using the weighted average number of common shares outstanding during 2000 of 15,092,381 (1999 - 15,600,381)

Fully diluted net earnings and cash flow from operations per common share are calculated using the fully diluted weighted average number of common shares outstanding during 2000 of 17,294,465 (1999 - 18,000,381).

2. PETROLEUM AND NATURAL GAS PROPERTIES

The Company's investment in petroleum and natural gas properties is comprised of the following categories and costs:

2000

	COST		ACCUMULATED DEPLETION AND DEPRECIATION	NET	
PETROLEUM AND NATURAL GAS PROPERTIES	\$	8,633,817	3,566,862	\$	5,066,955
LEASE AND WELL EQUIPMENT		3,191,406	1,451,325		1,740,081
	\$	11,825,223	\$ 5,018,187	\$	6,807,036

1999

	COST		ACCUMULATED DEPLETION AND DEPRECIATION	NET	
PETROLEUM AND NATURAL GAS PROPERTIES	\$	6,930,002	\$ 3,010,650	\$	3,919,352
LEASE AND WELL EQUIPMENT	\$	2,362,591	1,136,284		1,226,307
	\$	9,292,593	\$ 4,146,934	\$	5,145,659

At September 30, 2000 the estimated future site restoration costs to be accrued over the remaining proved reserves were \$516,083 (1999 - \$474,792). Included in cash is \$36,686 (1999 - \$34,387) held on behalf of joint venture partners, for future site restoration costs.

3. INVESTMENT

At September 30, 1999 the Company held 837,400 common shares representing 28.15 percent of the 2,974,550 common shares issued and outstanding of Texada Energy Ltd., a Canadian controlled private corporation. During the year the Company has sold its investment in Texada Energy Ltd., for proceeds of \$1,082,570 with a gain on the sale of \$498,838, recorded on the income statement. Equity income for 2000 and 1999 is included in gross revenues.

	NUMBER OF COMMON SHARES		AMOUNT	
BALANCE, SEPTEMBER 30, 1998	837,400	\$	474,604	
EQUITY INCOME	—		57,838	
BALANCE, SEPTEMBER 30, 1999	837,400	\$	532,442	
EQUITY IN INCOME	—		51,290	
SALE OF INVESTMENT	(837,400)		(583,732)	
BALANCE, SEPTEMBER 30, 2000	—	\$	—	

4. BANK LOAN

The Company has arranged a line of credit with a Canadian chartered bank in the amount of \$2,000,000. Any borrowings bear interest at the lender's prime rate plus 0.75 percent and are secured by an assignment of certain of the Company's natural gas properties, an assignment of book debts and a floating charge debenture. As at September 30, 2000, no amounts were drawn on the facility. Cash interest paid in the year ended September 30, 2000, were \$17,330 (1999 - \$70,583).

5. CONVERTIBLE DEBENTURES

The convertible debentures are unsecured and bear interest at a rate of nine percent and mature on January 31, 2002. Each debenture may be redeemed at par in whole or in part, at the option of the Company after May 31, 1999. Debentures may be converted at the option of the holders, into common shares of the Company at prices varying between \$0.33 and \$0.50 per share until maturity. Cash interest paid in the year ended September 30, 2000 were \$29,700 (1999 - \$29,700).

6. CAPITAL STOCK

Authorized: The Company's capital consists of an unlimited number of Common voting shares and an unlimited number of Class A and B Preferred non-voting shares issuable in series.

ISSUED

	COMMON SHARES	
	NUMBER OF SHARES	SHARE CAPITAL
BALANCE, SEPTEMBER 30, 1998	15,763,173	\$ 2,101,934
REPURCHASE FOR CASH UNDER NORMAL COURSE ISSUER BID	(300,500)	(39,967)
BALANCE, SEPTEMBER 30, 1999	15,462,673	\$ 2,061,967
REPURCHASE FOR CASH UNDER NORMAL COURSE ISSUER BID	(547,000)	(72,751)
BALANCE, SEPTEMBER 30, 2000	14,915,673	\$ 1,989,216

Pursuant to a normal course issuer bid, during the year ended September 30, 2000 the Company purchased 547,000 (1999 - 300,500) of its issued and outstanding common shares with an average carrying value of \$72,751 (1999 - \$39,967). The total cost of acquiring these shares of \$93,820 (1999 - \$51,250) exceeded the average caring value by \$21,069 (1999 - \$11,283), which was charged to retained earnings.

7. STOCK BASED COMPENSATION

The Company has established a stock option plan whereby options may be granted to the Company's directors, officers and employees for up to ten percent (10%) of the common shares in the capital of the Company. The exercise price of each option equals the market price of the Company's stock on the date of the grant. An option's maximum term is five years and the options vest equally over four years beginning at the date the option is granted. No compensation expense is recognized for the plan when stock options are issued or exercised. The following is a continuity of stock options outstanding for which shares have been reserved:

	2000		1999	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
OPENING	1,300,000	\$ 0.206	1,400,000	\$ 0.206
GRANTED	830,000	0.170	—	—
EXERCISED	—	—	—	—
CANCELLED	830,000	0.198	100,000	0.206
CLOSING	1,300,000	\$ 0.188	1,300,000	\$ 0.206

8. FINANCIAL INSTRUMENTS

Accounts receivable include amounts receivable for oil and gas sales. These sales are generally made to large, credit worthy purchasers. The Company views the credit risks on these items as low. Amounts receivable from joint venture partners included in accounts receivable are recoverable from production and, accordingly, the Company views the credit risks on these amounts as minimal.

Cash, accounts receivable and accounts payable have carrying values that approximate fair value due to the near-term maturity of these financial instruments. The carrying value of the convertible debentures approximates their fair value.

9. RELATED PARTY TRANSACTION

In the year to September 30, 2000, the Company paid \$148,000 (\$189,000 in 1999) under a Management Services and Joint Participation Agreement to a company controlled by officers of the Company.

10. INCOME TAX

Income tax expense differs from the amount which would be obtained by applying the basic Canadian federal tax rates to the respective years' income before income taxes. The following table outlines the differences:

	2000	1999
EXPECTED INCOME TAX EXPENSE AT 44.8 PERCENT	\$ 977,408	\$ 167,253
NON DEDUCTIBLE CROWN ROYALTIES NET OF ARTC	54,957	22,682
RESOURCE ALLOWANCE	(266,732)	(109,751)
DEPLETION ON ASSETS WITH NO RELATED TAX BASE	31,766	34,889
EQUITY IN NON-TAXABLE INCOME OF TEXADA ENERGY LTD.	(22,978)	(25,911)
SALE OF TEXADA ENERGY LTD.	93,577	—
OTHER ITEMS – NET	(48,189)	24,920
PROVISION FOR INCOME TAXES	\$ 819,809	\$ 114,082

The Company has approximately \$3,554,000 of tax pools remaining to be written off against future years taxable income.

Petroleum and natural gas properties with a net book value of \$441,144 (1999 - \$512,050) have no tax base for income tax purposes.

A new accounting standard for the recognition, measurement, presentation and disclosure of income taxes has been issued. The new standard requires the use of the liability method of tax allocation accounting whereby the measurement of future tax assets or liabilities will be based on a balance sheet approach rather than the income statement approach under the deferral method. The new standard is effective for the Company's 2001 fiscal year. The Company will adopt the new method without restating prior years financial statements. Cash taxes paid in the year ended September 30, 2000, were \$200,000 (1999 - nil).

11. COMMITMENTS

The Company entered into an agreement to lease office space for five years expiring July 31, 2003. Lease payments including operating costs and taxes are expected to be \$85,000 per year over the term of the lease.

12. CONTINGENCY

The Company is a co-defendant in a legal action concerning sales commissions that would have been paid under a gas sales contract was terminated in May 1995. The amount of damages claimed by the plaintiff are material to the Company; however, on the advice of its legal counsel, management believes the claim is without merit and has made no provisions for the amount claimed.

13. COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary to conform to the current year's presentation.

Five Year Review

YEARS ENDED SEPTEMBER 30	2000	1999	1998	1997	1996
FINANCIAL (ALL AMOUNTS IN \$ EXCEPT OUTSTANDING SHARES)					
REVENUE	4,582,899	2,808,449	2,512,966	2,338,131	1,734,389
EXPENSES					
OPERATING	1,214,508	869,597	825,461	667,929	558,989
ADMINISTRATION	712,372	665,913	691,331	633,525	578,843
INTEREST AND BANK CHARGES	47,030	100,283	69,580	79,529	50,325
DEPLETION AND DEPRECIATION	871,253	738,682	792,654	542,945	413,467
FUTURE SITE RESTORATIONS	54,859	60,641	67,550	45,496	62,684
GAIN ON SALE OF INVESTMENT	(498,838)	—	—	—	—
	2,401,184	2,435,116	2,446,576	1,969,424	1,664,308
EARNINGS BEFORE INCOME TAXES	2,181,715	373,333	66,390	368,707	70,081
INCOME TAXES	819,809	114,082	48,409	25,898	9,381
NET EARNINGS	1,361,906	259,251	17,981	42,809	60,700
EARNINGS PER SHARE					
BASIC	0.090	0.017	0.001	0.020	0.005
FULLY DILUTED	0.080	0.015	0.001	0.019	0.006
CASH FLOW FROM OPERATIONS	2,283,359	1,154,408	914,332	959,232	552,806
PER SHARE	0.150	0.074	0.057	0.080	0.049
SHAREHOLDERS' EQUITY	5,226,455	3,958,369	3,750,368	3,813,657	2,709,646
SHARES OUTSTANDING					
PREFERRED	—	—	—	—	96,978
COMMON — AT YEAR END	14,915,673	15,462,673	15,763,173	16,165,173	10,976,633
— WEIGHTED AVERAGE	15,092,381	15,600,381	15,965,713	11,913,128	11,095,133
OPERATIONS					
NATURAL GAS PRODUCTION (MMCF)	1,014.6	955.6	924.7	823.9	740.0
MMCFD	2.77	2.62	2.53	2.43	2.02
AVERAGE NATURAL GAS PRICE (\$/MCF)	3.33	2.23	1.86	1.78	1.39
OIL PRODUCTION (BBLs)	25,138	15,420	19,382	10,863	6,889
BOPD	68	42	53	30	19
AVERAGE CRUDE OIL PRICE (\$/BBL)	34.28	17.79	16.16	21.79	20.56
TOTAL BOED	346	304	306	290	221

Annual Meeting

The Annual General Meeting of the Shareholders will be held in the Barber Room at The 400 Club, 710 – 4th Avenue SW, Calgary, Alberta on Wednesday, March 14, 2001 at 4:00 pm (local time).

ABBREVIATIONS

MCF	THOUSAND CUBIC FEET
MMCFD	MILLION CUBIC FEET PER DAY
MCFD	THOUSAND CUBIC FEET PER DAY
BCF	BILLION CUBIC FEET
MMCF	MILLION CUBIC FEET
BBL	BARREL
BOE	BARRELS OF EQUIVALENT OIL
MBBLS	THOUSAND BARRELS
BOE/D	BARRELS OF OIL EQUIVALENT PER DAY (10 MCF OF NATURAL GAS TO 1 BARREL OF OIL)

CONVERSION FACTOR

CUBIC METERS OF GAS TO CUBIC FEET X 35.49373
CUBIC METERS OF OIL TO BARRELS X 6.29287

In Memory Of

Richard Dale Brittner
12 Years Service

Glenn Benjamin
4 Years Service

Dedicated Ramarro team members
who passed away in 2000

CORPORATE INFORMATION

Directors

Antony N. Edgington*
Calgary, Alberta

Garth M. Farr*
Calgary, Alberta

G. Donald Meades
Calgary, Alberta

Deane G. H. Ross
Calgary, Alberta

Wayne R. Sharp*
Calgary, Alberta

* Member of Audit Committee

Officers

Wayne R. Sharp
President

Deane G. H. Ross
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